

**Supplemental Reporting Document
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May 2006 Investment Committee Meeting
(March 2006 Reporting Period)**

Quarterly Reports
Real Estate



Investment Office

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

(916) 795-3400

May 15, 2006

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: Real Estate Quarterly Performance Report
as of December 31, 2005

II. PROGRAM: Real Estate

III. RECOMMENDATION: Information Only

IV. ANALYSIS:

The enclosed Real Estate Quarterly Performance Report for the quarter ending December 31, 2005, has been prepared by staff from the Performance Monitoring Unit with assistance from CalPERS' Real Estate Unit and Pension Consulting Alliance, Inc. (PCA). The one-year total returns (as of December 31, 2005) for the Real Estate Portfolio were 45.3% before fees and 35.4% after fees. The since inception return of the Real Estate Portfolio was 10.9% after fees, with the income component generating 7.3% and the appreciation component generating 3.6%.

V. STRATEGIC PLAN:

Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

VI. RESULTS/COSTS:

The data in the report has been gathered from sources the Performance Monitoring Unit believes to be reliable. This item provides information to the Investment Committee on the assets and performance of the fund.

Alok Jain
Investment Officer
Performance Monitoring Unit

Robert Perez
Investment Officer
Performance Monitoring Unit

Mike Inglett
Investment Officer
Performance Monitoring Unit

Matthew Flynn
Interim Division Chief

Anne Stausboll
Interim Chief Investment Officer



STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM



REAL ESTATE PORTFOLIO
PERFORMANCE REPORT

Quarter Ending December 31, 2005



CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

REAL ESTATE PORTFOLIO PERFORMANCE REPORT

For the Quarter Ending December 31, 2005

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The data in this report has been gathered from sources the Performance Monitoring Unit believes to be reliable. This material must be checked for mistakes and, as need be, reconciled to advisor information/financials. Accordingly, when an advisor's figures appear erroneous, we discuss the issue with the advisor. We do not independently audit or otherwise verify the data, nor do we express an opinion or any other form of assurance concerning it.

I. EXECUTIVE SUMMARY

Total Real Estate Portfolio (as of December 31, 2005)					
	Current Quarter	One-Year	Three-Year	Five-Year	Since Inception
Total					
Net Assets at Fair Market Value	\$10,531,998,317				
Nominal Returns, Before Fees					
Income	2.4%	9.0%	8.8%	8.3%	8.1%
Appreciation	9.3%	36.3%	19.9%	12.1%	4.1%
Total	11.7%	45.3%	28.8%	20.4%	12.1%
Nominal Returns, After Fees					
Income	1.7%	6.8%	6.9%	6.8%	7.3%
Appreciation	8.3%	28.6%	16.8%	10.1%	3.6%
Total	10.0%	35.4%	23.7%	16.9%	10.9%
NCREIF Index (Before Fees)	5.4%	20.1%	14.4%	11.4%	8.6%
Core					
Net Assets at Fair Market Value	\$5,642,337,778				
Nominal Returns, Before Fees					
Income	1.4%	6.2%	7.4%	7.6%	8.4%
Appreciation	7.2%	41.8%	19.8%	12.5%	3.1%
Total	8.5%	48.1%	27.2%	20.2%	11.5%
Nominal Returns, After Fees					
Income	1.2%	5.5%	6.8%	7.0%	7.9%
Appreciation	7.1%	33.0%	16.5%	10.3%	2.7%
Total	8.2%	38.5%	23.2%	17.4%	10.6%
Non-Core					
Net Assets at Fair Market Value	\$4,889,660,538				
Nominal Returns, Before Fees					
Income	3.7%	13.0%	11.3%	9.1%	6.3%
Appreciation	11.9%	22.5%	20.9%	10.6%	6.6%
Total	15.6%	35.6%	32.2%	19.7%	12.9%
Nominal Returns, After Fees					
Income	2.3%	8.7%	6.8%	5.5%	4.9%
Appreciation	9.8%	18.5%	18.5%	9.4%	6.1%
Total	12.1%	27.2%	25.3%	15.0%	11.0%

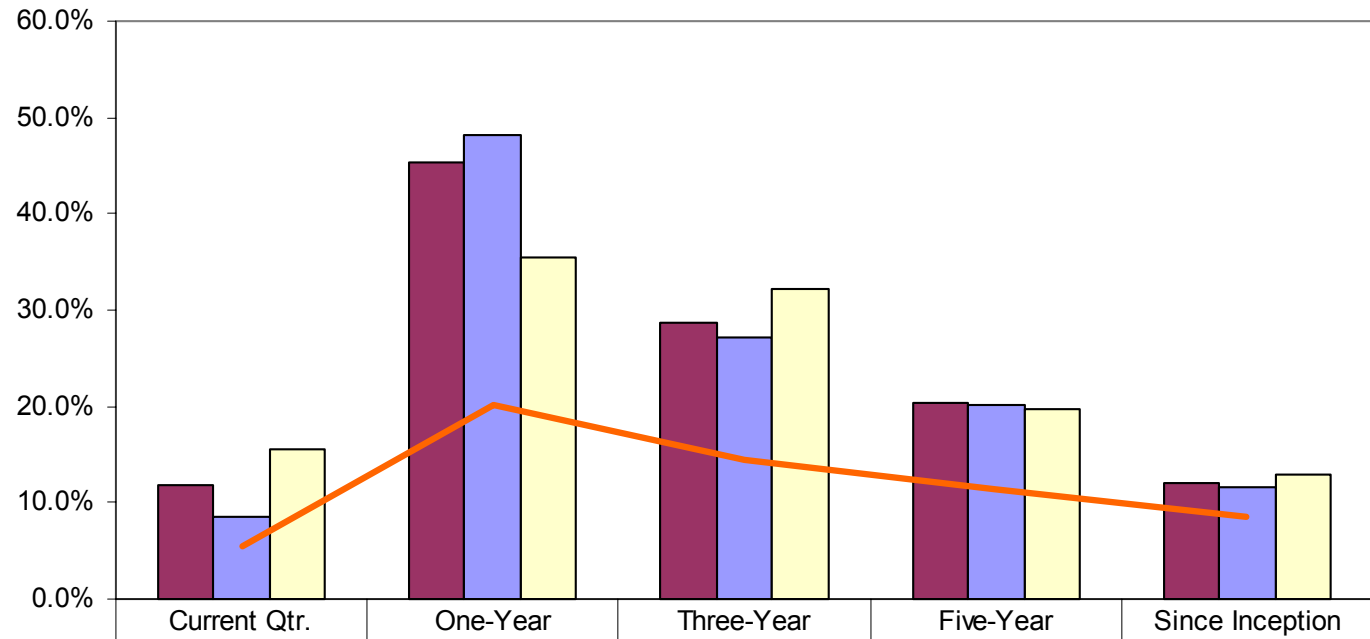
Note - The Total Return figures may not equal the Income plus Appreciation, due to rounding.

Real Estate Portfolio Performance Summary

- ♦ **Total Portfolio Performance** – The one-year (as of December 31, 2005) total return for the Total Real Estate Portfolio was 45.3 percent before fees and 35.4 percent after fees. The nominal after fee total return (since inception) for the Total Real Estate Portfolio was 10.9 percent as of December 31, 2005, with the income component generating a 7.3 percent return and the appreciation component generating a 3.6 percent return.
- ♦ **Core Portfolio Performance** – The one-year (as of December 31, 2005) total return for the Core Portfolio was 48.1 percent before fees and 38.5 percent after fees. The nominal after fee total return (since inception) for the Core Portfolio was 10.6 percent as of December 31, 2005, with the income component generating a 7.9 percent return and the appreciation component generating a 2.7 percent return. The total before fee returns for the Retail sector, which reflect the December 31, 2005 valuations, were 23.8 percent for the current quarter and 52.0 percent for the one-year as compared to the NCREIF Retail sector which reported a 6.0 percent current quarter return and a 20.0 percent one-year return.
- ♦ **Non-Core Portfolio Performance** – The one-year (as of December 31, 2005) total return for the Non-Core Portfolio was 35.6 percent before fees and 27.2 percent after fees. The nominal after fee total return (since inception) for the Non-Core Portfolio was 11.0 percent as of December 31, 2005, with the income component generating a 4.9 percent return and the appreciation component generating a 6.1 percent return. The total return for the Non-Core Portfolio continues to be positively impacted by the Housing Program and the California Urban Real Estate (CURE) Program, which are the two largest programs in the Non-Core Portfolio. The Housing Program generated a 7.3 percent before fee return for the current quarter and a 29.3 percent before fee return for the one-year period. Additionally, the CURE program generated a 15.4 percent before fee return for the current quarter and a 27.2 percent before fee return for the one-year period.

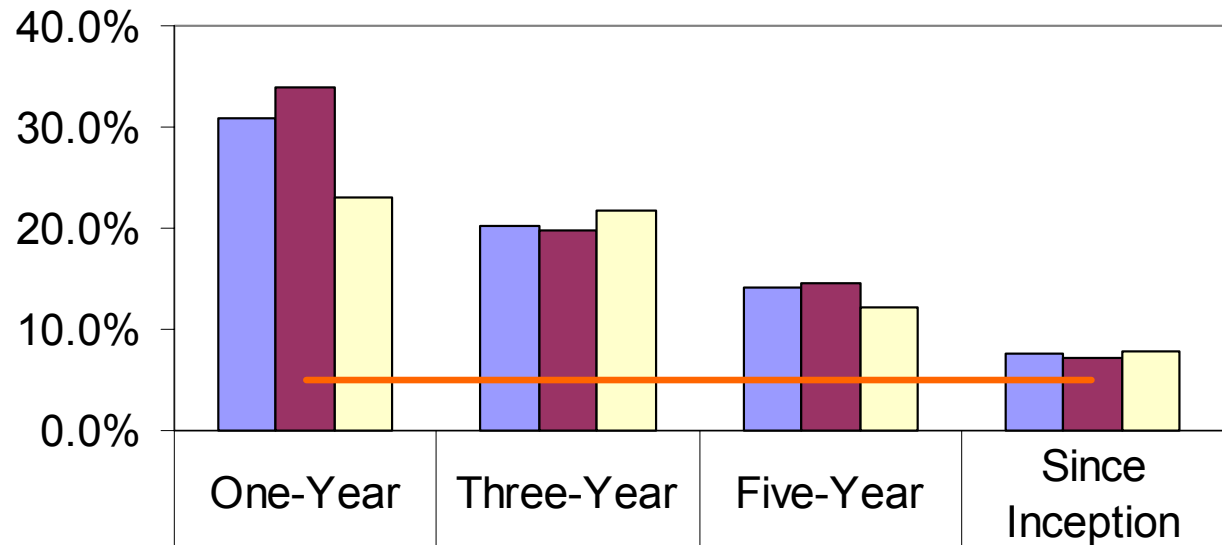
- ♦ **Comparison to Industry Benchmark** – The Total Real Estate Portfolio outperformed the NCREIF Detailed Property Index (Index) for all periods, as shown in the following chart on page I - 4, titled *Total Real Estate Portfolio, Comparison to NCREIF Index, Nominal Returns, Before Fees*. In addition, the Core Portfolio and Non-Core Portfolio outperformed the Index for all periods. It should be noted that although the NCREIF Index is more directly comparable to the Core Portfolio, the Index is used as a benchmark for the Non-Core Portfolio as well.
- ♦ **Comparison to Real Rate of Return Benchmark** – Policy dictates that CalPERS' after fee real rate of return should reach 5 percent for the Core Portfolio and exceed 5 percent for the Non-Core Portfolio. The Core, Non-Core, and Total Portfolios have all exceeded the 5 percent real rate of return benchmark for all periods, as shown in the following chart on page I - 5 titled *Total Real Estate Portfolio, Comparison to Real Rate of Return, Benchmark, After Fees*.

**Total Real Estate Portfolio
Comparison to NCREIF Index
Nominal Returns, Before Fees
(as of December 31, 2005)**



 CalPERS' Total	11.7%	45.3%	28.8%	20.4%	12.1%
 CalPERS' Core	8.5%	48.1%	27.2%	20.2%	11.5%
 CalPERS' Non-Core	15.6%	35.6%	32.2%	19.7%	12.9%
 NCREIF	5.4%	20.1%	14.4%	11.4%	8.6%

**Total Real Estate Portfolio
Comparison to Real Rate of Return
Benchmark, After Fees
(as of December 31, 2005)**



 CalPERS' Total	30.9%	20.3%	14.2%	7.6%
 CalPERS' Core	33.9%	19.8%	14.6%	7.2%
 CalPERS' Non-Core	23.0%	21.8%	12.2%	7.8%
 CalPERS' Benchmark	5.0%	5.0%	5.0%	5.0%

**II. SIGNIFICANT EVENTS /
MATERIAL EXCEPTIONS TO POLICY /
CREDIT ACCOMMODATIONS**

Significant Events / Material Exceptions to Policy (As Reported by the Real Estate Unit)*

Significant Events

- ◆ No significant events to report this quarter.

Material Exceptions to Policy

- ◆ CalPERS' Core asset exposure in the West Region was approximately 54.7 percent as of December 31, 2005, or 14.7 percent above the upper policy range of 25-40 percent. The West Region is composed of two NCREIF divisions (Pacific and Mountain). The Core asset exposure in the South Region was approximately 14.1 percent as of December 31, 2005, or 0.9 percent below the lower policy range of 15-30 percent. The South Region is composed of two NCREIF divisions (Southwest and Southeast). These percents will continue to adjust as Staff makes additional portfolio sales or purchases to bring the Core Portfolio within policy range.

*Note – Data reflected in this section has been provided by the Real Estate Unit for informational purposes. It has not been independently verified by the Performance Monitoring Unit.

Credit Accommodations (As Reported by the Real Estate Unit)*

Total Permitted Amount of Credit Accommodations (e.g. Guarantees) in Real Estate**:	\$4,028,000,000	100%
Actual Allocated and/or Outstanding of Credit Accommodation (e.g. Guarantees) in Real Estate:	\$2,301,000,000	57.1%

*Note – Data reflected in this section has been provided by the Real Estate Unit for informational purposes. It has not been independently verified by the Performance Monitoring Unit.

**Note – Calculation is based on CalPERS total fund multiplied by the 8% real estate target. This figure is then multiplied by the maximum allowable guarantee of 25%.

III. PERFORMANCE DETAIL BY SUBPORTFOLIO

Total Real Estate Portfolio
Performance Detail by Subportfolio and Sector
For the Period Ending December 31, 2005

	Inception Date	Net Assets at Fair Market Value		Total Nominal Returns Before Fees				
		Amount	% of Portfolio	Qtr	1-Yr	3-Yr	5-Yr	Since Inception
Core								
Private								
Apartment	Mar-86	\$1,126,299,684	10.7%	11.3%	42.2%	26.3%	20.1%	11.4%
Industrial	Apr-82	1,961,202,135	18.6%	1.1%	65.6%	23.8%	18.5%	12.5%
Office	Apr-82	847,602,095	8.0%	3.4%	32.5%	22.2%	15.5%	10.3%
Retail	Apr-82	1,308,464,933	12.4%	23.8%	52.0%	37.9%	27.6%	12.8%
AFL-CIO Building Investment Trust	Mar-91	137,501,407	1.3%	4.8%	18.3%	10.7%	9.2%	8.5%
CIM Urban REIT	Feb-05	150,055,085	1.4%	-0.8%	1.1%	N/AP	N/AP	1.1%
Public (REITs)								
PRES - Enhanced Core	Sep-98	111,212,439	1.1%	2.3%	13.6%	26.9%	19.0%	18.4%
Total Core	Apr-82	\$5,642,337,778	53.6%	8.5%	48.1%	27.2%	20.2%	11.5%
Non-Core								
Private								
Agricultural Land	Jul-02	117,465,596	1.1%	-1.5%	-3.0%	-3.5%	N/AP	-4.6%
California Urban Real Estate (CURE)	Feb-97	1,103,673,779	10.5%	15.4%	27.2%	39.5%	26.8%	19.8%
Housing	Jun-92	1,565,088,584	14.9%	7.3%	29.3%	30.4%	26.9%	22.7%
International	Apr-98	544,881,217	5.2%	21.9%	37.0%	19.6%	9.7%	6.4%
Opportunistic Funds	Jan-03	185,514,514	1.8%	4.7%	58.2%	N/AP	N/AP	260.4%
Real Estate Technology	Nov-99	572,673,289	5.4%	24.8%	65.9%	41.1%	19.6%	15.4%
Senior Housing	Jun-01	342,995,399	3.3%	86.9%	128.9%	76.4%	N/AP	49.7%
Timberland	Jan-88	137,470,344	1.3%	15.4%	21.2%	14.7%	6.7%	13.1%
Public								
PRES - Extended Mkt Index REIT	Jun-02	319,897,816	3.0%	3.0%	13.8%	28.3%	N/AP	18.8%
Total Non-Core	Dec-84	\$4,889,660,538	46.4%	15.6%	35.6%	32.2%	19.7%	12.9%
Total Portfolio		\$10,531,998,317	100.0%	11.7%	45.3%	28.8%	20.4%	12.1%
Benchmark: NCREIF Property Index				5.4%	20.1%	14.4%	11.4%	8.6%

Total Real Estate Portfolio Performance Detail by Subportfolio and Sector For the Period Ending December 31, 2005								
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns After Fees</u>				
	Inception Date	Amount	% of Portfolio	Qtr	1-Yr	3-Yr	5-Yr	Since Inception
Core								
Private								
Apartment	Mar-86	\$1,126,299,684	10.7%	10.6%	34.9%	22.0%	16.8%	10.2%
Industrial	Apr-82	1,961,202,135	18.6%	0.9%	55.7%	20.5%	16.3%	11.6%
Office	Apr-82	847,602,095	8.0%	3.1%	22.4%	17.2%	11.8%	9.2%
Retail	Apr-82	1,308,464,933	12.4%	23.6%	42.3%	34.2%	25.2%	11.9%
AFL-CIO Building Investment Trust	Mar-91	137,501,407	1.3%	4.6%	17.1%	9.6%	8.1%	7.3%
CIM Urban REIT	Feb-05	150,055,085	1.4%	-1.1%	0.2%	N/AP	N/AP	0.2%
Public (REITs)								
PREES - Enhanced Core	Sep-98	111,212,439	1.1%	2.3%	13.6%	26.9%	19.0%	18.4%
Total Core	Apr-82	\$5,642,337,778	53.6%	8.2%	38.5%	23.2%	17.4%	10.6%
Non-Core								
Private								
Agricultural Land	Jul-02	117,465,596	1.1%	-1.8%	-4.3%	-4.8%	N/AP	-5.9%
California Urban Real Estate (CURE)	Feb-97	1,103,673,779	10.5%	14.4%	23.2%	31.3%	21.3%	16.5%
Housing	Jun-92	1,565,088,584	14.9%	4.1%	19.2%	20.5%	18.4%	15.1%
International	Apr-98	544,881,217	5.2%	15.6%	26.8%	8.9%	3.3%	1.9%
Opportunistic Funds	Jan-03	185,514,514	1.8%	3.7%	46.9%	N/AP	N/AP	250.5%
Real Estate Technology	Nov-99	572,673,289	5.4%	19.8%	50.0%	30.9%	7.3%	5.8%
Senior Housing	Jun-01	342,995,399	3.3%	71.2%	107.5%	63.9%	N/AP	42.3%
Timberland	Jan-88	137,470,344	1.3%	13.9%	19.5%	13.6%	5.9%	12.2%
Public								
PREES - Extended Mkt Index REIT	Jun-02	319,897,816	3.0%	3.0%	13.8%	28.3%	N/AP	18.8%
Total Non-Core	Dec-84	\$4,889,660,538	46.4%	12.1%	27.2%	25.3%	15.0%	11.0%
Total Portfolio		\$10,531,998,317	100.0%	10.0%	35.4%	23.7%	16.9%	10.9%
Benchmark: NCREIF Property Index (Before Fee)				5.4%	20.1%	14.4%	11.4%	8.6%

IV. PERFORMANCE BY PARTNERSHIP

Core Real Estate Portfolio Performance Detail by Partnership / Account For the Period Ending December 31, 2005										
	Inception Date	Net Assets at Fair Market Value			Total Nominal Returns Before Fees				Since Inception	Realized Project IRR ¹ Since Inception
		Amount	% of Core	Qtr	1-Yr	3-Yr	5-Yr			
Core										
Apartment										
GID Advisors - Windsor Realty Fund III	Jan-98	47,797,850	0.8%	53.1%	137.6%	53.3%	34.5%	27.9%	²	19.5%
BlackRock Realty - Western Multifamily	Jan-98	1,078,501,834	19.1%	5.8%	25.1%	19.2%	16.5%	15.1%		16.5%
Industrial										
LaSalle - CalEast	Apr-98	368,708,488	6.5%	0.6%	46.3%	21.6%	17.9%	16.3%	³	17.1%
LaSalle - International Industrial Real Estate	May-04	205,699,743	3.6%	1.0%	27.9%	N/AP	N/AP	19.9%		N/AP
RREEF - CalWest	Apr-98	1,386,796,916	24.6%	1.3%	98.7%	30.1%	21.8%	19.0%	³	9.0%
Office										
CWP - Fifth Street Properties, LLC	Jul-98	24,108,853	0.4%	-1.5%	34.3%	24.5%	18.6%	19.0%		18.3%
CWP Managed	Jul-01	100,768,766	1.8%	2.1%	10.7%	8.2%	N/AP	7.7%		N/AP
Hines - National Office Partners, L.P.	Jul-98	694,122,239	12.3%	3.8%	56.5%	26.2%	16.1%	17.3%	⁴	11.5%
PERS Managed	Apr-82	28,602,237	0.5%	3.7%	15.4%	15.4%	15.3%	12.6%		N/AP
Retail										
First Washington - Global Retail Investors	Dec-05	2,992,572	0.1%	N/M	N/AP	N/AP	N/AP	N/M	⁵	N/AP
Miller Capital - Institutional Mall Investors	Oct-03	1,302,652,997	23.1%	23.7%	28.7%	N/AP	N/AP	44.6%	⁶	N/AP
Other Private										
AFL-CIO Building Investment Trust	Mar-91	137,501,407	2.4%	4.8%	18.3%	10.7%	9.2%	8.5%		N/AP
CIM Management - CIM Urban REIT	Feb-05	150,055,085	2.7%	-0.8%	1.1%	N/AP	N/AP	1.1%		N/AP
Public										
PREES - Enhanced Core	Sep-98	111,212,439	2.0%	2.3%	13.6%	26.9%	19.0%	18.4%		N/AP
Total Core	Apr-82	\$5,639,521,426⁷	100.0%	8.5%	48.1%	27.2%	20.2%	11.5%		

¹ The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

² Current quarter and trailing one year returns are high due to realized appreciation in third and fourth quarter 2005.

³ One year returns are high due to realized appreciation in second quarter 2005.

⁴ One year returns are high due to realized appreciation in first quarter 2005.

⁵ Returns are not meaningful due to new Partnership's first quarter being reported as a partial quarter.

⁶ Current quarter returns are high due to unrealized appreciation in fourth quarter 2005.

⁷ Excludes sold portfolio activity.

Non-Core Real Estate Portfolio Performance Detail by Partnership / Account (Before Fee) For the Period Ending December 31, 2005									
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns Before Fees</u>					<u>Realized Project IRR ¹</u>
	Inception Date	Amount	% of Non-Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	Since Inception
Non-Core									
Agricultural Land									
Meriwether Farms, LLC	May-04	42,657,205	0.9%	-1.6%	-4.2%	N/AP	N/AP	-6.9%	N/AP
Pacific Vineyard Partners, LLC	Jul-02	74,808,391	1.5%	-1.5%	-2.9%	-3.5%	N/AP	-4.6%	N/AP
California Urban Real Estate (CURE)									
Bridge Urban Infill Land Development, LLC	Jun-02	33,613,147	0.7%	-0.1%	14.5%	5.1%	N/AP	6.4%	N/AP
Buchanan Urban Investors, LLC	Dec-01	37,296,224	0.8%	2.9%	15.3%	23.4%	N/AP	27.3%	36.4%
Buchanan Urban Investors II, LLC	Aug-03	97,633,153	2.0%	3.5%	15.7%	N/AP	N/AP	12.5%	37.7%
California Urban Investment Partners, LLC	Feb-97	241,424,016	5.0%	39.2%	36.8%	128.9%	71.4%	42.8% ⁸	14.2%
CalSmart, LLC	Mar-01	147,781,405	3.1%	9.8%	44.2%	27.2%	N/AP	16.7%	38.5%
Capri Urban Capital I, LLC	Jun-02	39,318,617	0.8%	-0.6%	14.8%	10.2%	N/AP	10.4%	15.3%
CIM Calif. Urban Real Estate Fund L.P.	Dec-00	200,512,281	4.1%	3.4%	12.3%	235.2%	106.3%	91.1% ⁹	N/M
Infill Investment Partners, LLC	Feb-00	926,076	0.0% ¹⁰	-0.5%	-1.9%	-2.3%	3.0%	2.5%	15.7%
IHP Investment Fund IV	Dec-01	12,824,928	0.3%	86.2%	123.1%	13.7%	N/AP	10.2% ¹¹	22.5%
KAREC California Development Program, LLC	Apr-02	8,262,725	0.2%	0.0%	0.0%	22.6%	N/AP	21.6%	15.6%
Kennedy Office Development Program	Jan-98	6,082,286	0.1%	43.2%	44.9%	27.2%	20.9%	16.5% ¹²	37.8%
KSC Affordable Housing Investment Fund, LLC	Jan-03	1,452,785	0.0% ¹⁰	0.0%	-1.1%	-3.7%	N/AP	-3.7%	N/AP
Legacy Partners Affordable Housing Fund	Jun-03	11,257,500	0.2%	0.0%	0.4%	N/AP	N/AP	-0.2%	N/AP
Meruelo - California Future Fund	Feb-05	160,992,797	3.3%	N/M	N/AP	N/AP	N/AP	N/M ¹³	N/AP
Pacific Cityhome, LLC	Aug-03	104,295,840	2.2%	11.5%	53.0%	N/AP	N/AP	26.6%	N/AP
Housing									
CityView									
CityView America Fund	Jul-05	2,838,715	0.1%	70.3%	N/AP	N/AP	N/AP	190.1% ¹⁴	N/AP
Hearthstone Advisors									
Hearthstone Housing Partners II, L.P.	Aug-04	169,598,964	3.5%	0.6%	3.1%	N/AP	N/AP	3.5%	N/AP
Hearthstone MS Value Added III, LLC	Sep-03	26,185,383	0.5%	8.8%	30.7%	N/AP	N/AP	11.7%	72.1%
Hearthstone Path-of-Growth Fund	Nov-05	(76,122)	0.0% ¹⁰	N/M	N/AP	N/AP	N/AP	N/M ⁵	N/AP

¹ The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

⁵ Returns are not meaningful due to new Partnership's first quarter being reported as a partial quarter.

⁸ This high return is due to large realized and unrealized appreciation posted during the fourth quarter 2004 and 2005 compared to the NAV.

⁹ This high return is due to the relatively large unrealized appreciation (in the development properties) posted during the fourth quarter 2003 compared to the NAV.

¹⁰ Less than 0.1% of the Non-Core Portfolio.

¹¹ Current quarter and trailing one year returns are high due to a large net investment income compared to a relatively small NAV.

¹² Current quarter and trailing one year returns are high due to realized appreciation in fourth quarter 2005.

¹³ CalPERS is a direct lender to Meruelo. The initial capital call was on 2/17/2005. There is a pay rate of 6.5% and an accrual rate of 11.5% on the outstanding balance.

¹⁴ Current quarter and since inception returns are high due to a large net investment income compared to a relatively small NAV. Since inception return is annualized for investments / programs with less than four quarters of activity.

Non-Core Real Estate Portfolio
Performance Detail by Partnership / Account (Before Fee)
For the Period Ending December 31, 2005

	Inception Date	Net Assets at Fair Market Value		Qtr	Total Nominal Returns Before Fees				Since Inception	Realized
		Amount	% of Non-Core		1-Yr	3-Yr	5-Yr	Project IRR ¹ Since Inception		
Non-Core Continued										
Housing (Continued)										
Institutional Housing Partners										
IHP Investment Fund I, L.P.	Jul-92	61,564,185	1.3%	-6.4%	4.0%	14.5%	17.3%	25.1%	15	36.5%
IHP Investment Fund II, L.P.	Sep-95	21,558,482	0.4%	0.9%	4.3%	-184.1%	-208.9%	N/M		25.6%
IHP Investment Fund III, L.P.	Oct-99	433,953,874	9.0%	13.9%	54.7%	46.7%	33.2%	27.9%		32.3%
IHP Investment Fund V, L.P.	Jan-03	28,550,365	0.6%	2.5%	48.2%	30.3%	N/AP	30.3%		33.8%
PICAL Housing Associates, L.P.	Sep-92	3,158,023	0.1%	0.1%	-1.5%	-1.4%	14.1%	15.8%		N/AP
PICAL Housing Associates II, L.P.	Mar-95	2,398,359	0.0%	-1.8%	-7.4%	1.2%	13.7%	33.4%		N/AP
M/W Housing Partners										
MW Housing Partners III, L.P.	Jan-01	112,726,836	2.3%	17.5%	66.3%	68.8%	42.7%	42.7%		46.0%
Newland Capital Advisors										
Cal-Land Asset Partners, LP	Aug-95	10,969,280	0.2%	-1.2%	10.7%	14.3%	17.9%	0.9%		19.0%
Newland National Partners, L.P.	Oct-99	209,161,665	4.3%	5.6%	25.0%	12.0%	10.3%	7.6%		N/AP
Newland National Partners II, L.P.	Oct-03	63,327,016	1.3%	-5.0%	2.5%	N/AP	N/AP	0.4%		N/AP
Newland National Partners III, L.P.	May-05	41,876,373	0.9%	-2.8%	N/AP	N/AP	N/AP	-5.7%	16	N/AP
Resmark Equity Partners, LLC										
ORA Multifamily Investments I, L.P.	Dec-04	42,739,571	0.9%	9.9%	15.7%	N/AP	N/AP	N/M	17	N/AP
ORA Residential Investments I, L.P.	Oct-99	91,570,247	1.9%	32.7%	87.2%	62.5%	54.2%	44.3%		43.7%
Residential Real Estate Partners										
Residential Real Estate Partners III, L.P.	Jan-00	4,676,319	0.1%	262.1%	752.5%	282.1%	136.5%	108.1%	18	37.6%
Shea Homes, L.P.										
Shea Capital I, LLC	Apr-05	24,451,493	0.5%	-3.0%	N/AP	N/AP	N/AP	26.3%	19	N/AP
Shea Capital II, LLC	Oct-05	4,276,045	0.1%	N/M	N/AP	N/AP	N/AP	N/M	5	N/AP
Shea Mountain House, LLC	May-05	123,325,608	2.5%	-0.2%	N/AP	N/AP	N/AP	-0.5%	16	N/AP
Wells Fargo Realty Advisors										
WFHAI Housing Fund, L.P.	Aug-92	56,443,049	1.2%	8.7%	36.5%	33.3%	45.0%	37.1%		31.3%
Olson Urban Housing	Feb-00	35,039,299	0.7%	13.9%	22.0%	21.8%	15.4%	11.7%		N/AP

¹ The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

⁵ Returns are not meaningful due to new Partnership's first quarter being reported as a partial quarter.

¹⁰ Less than 0.1% of the Non-Core Portfolio.

¹⁵ There are only two projects left in IHP Fund II. The beginning NAV for the third and fourth quarters of 2003 became negative, which is the cause of the large negative returns.

¹⁶ Since inception returns are annualized for investments / programs with less than four quarters of activity.

¹⁷ Returns are not meaningful for since inception due to a large negative income compared to NAV in the fourth quarter of 2004.

¹⁸ The high returns are due to the relatively large net income compared to the NAV.

¹⁹ Large discrepancy between before and after fee return due to the relatively large net loss compared to a negative NAV, which also causes after fee return to be higher than before fee. Since inception return is annualized for investments / programs with less than four quarters of activity.

Non-Core Real Estate Portfolio Performance Detail by Partnership / Account (Before Fee) For the Period Ending December 31, 2005									
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns Before Fees</u>					<u>Realized Project IRR ¹</u>
	Inception Date	Amount	% of Non-Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	Since Inception
Non-Core Continued									
International									
Aetos Capital Asia T.E., L.P.	Feb-03	69,697,839	1.4%	23.1%	54.3%	N/M	N/AP	N/M ²⁰	116.7%
Aetos Capital Asia T.E. II, L.P.	Sep-05	3,831,081	0.1%	-5.4%	N/AP	N/AP	N/AP	N/M ²¹	N/AP
DB Real Estate Global Opportunities 1A, L.P.	Dec-03	13,561,112	0.3%	122.6%	152.9%	N/AP	N/AP	95.3% ²²	18.0%
DB Real Estate Global Opportunities 1B, L.P.	Dec-03	47,136,229	1.0%	32.6%	35.9%	N/AP	N/AP	N/M ²³	N/AP
Fortress Residential Investment Deutschland	Aug-05	14,773,700	0.3%	-3.9%	N/AP	N/AP	N/AP	-28.5% ¹⁶	N/AP
HCB Interests (Hines Brazil)	Aug-05	(1,255,183)	0.0% ¹⁰	N/M	N/AP	N/AP	N/AP	N/M ²⁴	N/AP
HCM Holdings (Hines Mexico)	Jan-05	8,537,212	0.2%	44.0%	N/M	N/AP	N/AP	N/M ²⁵	N/AP
Hines European Development Fund	Mar-03	(1,689,606)	0.0% ¹⁰	N/M	N/M	N/AP	N/AP	N/M ²⁴	N/AP
IXIS AEW European Property Investors, L.P.	Sep-04	39,360,312	0.8%	63.5%	31.1%	N/AP	N/AP	N/M ²⁶	N/AP
LaSalle French Fund II	Dec-05	13,790,080	0.3%	N/M	N/AP	N/AP	N/AP	N/M ⁵	N/AP
Macquarie Asia Fund II	Aug-05	1,497,334	0.0% ¹⁰	-1.2%	N/AP	N/AP	N/AP	N/M ²¹	N/AP
Macquarie Europe Parallel Fund II	Aug-05	(557,501)	0.0% ¹⁰	N/M	N/AP	N/AP	N/AP	N/M ²⁷	N/AP
NIAM Nordic Investment Fund III, L.P.	Sep-04	15,855,001	0.3%	48.6%	104.5%	N/AP	N/AP	17.0% ²⁸	N/AP
Prudential - PLA Residential Fund I	Jul-04	155,199,181	3.2%	22.3%	30.1%	N/AP	N/AP	19.9% ²⁹	N/AP
RREEF Global Opportunities Fund II	Dec-05	38,730,586	0.8%	N/M	N/AP	N/AP	N/AP	N/M ⁵	N/AP
SDL Hospitality Co-Invest Fund	Oct-05	71,836,148	1.5%	N/M	N/AP	N/AP	N/AP	N/M ⁵	N/AP
Secured Capital Japan	Mar-04	51,392,652	1.1%	6.3%	21.3%	N/AP	N/AP	18.3% ³⁰	N/AP
Secured Capital Japan II	Sep-05	326,265	0.0% ¹⁰	N/M	N/AP	N/AP	N/AP	N/M ²⁴	N/AP
Security Capital European Development	Apr-98	2,858,776	0.1%	0.6%	6.5%	-0.1%	-1.5%	-0.7%	-14.1%

¹ The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

⁵ Returns are not meaningful due to new Partnership's first quarter being reported as a partial quarter.

¹⁰ Less than 0.1% of the Non-Core Portfolio.

¹⁶ Since inception returns are annualized for investments / programs with less than four quarters of activity.

²⁰ Since Inception Return is not meaningful. Initial quarter returns contain distributions which have decreased the weighted average equity to a very small value compared to the income and appreciation return component.

²¹ Since inception return is not meaningful due to partnership's negative income compared to their small NAV.

²² Current quarter and trailing one year returns are high due to large appreciation and income compared to relatively small NAV in the fourth quarter 2005.

²³ Since inception returns are not meaningful due to recognition of income and appreciation prior to any contribution by CalPERS.

²⁴ Returns are not meaningful. CalPERS has not made a contribution to the fund.

²⁵ One year and since inception returns are not meaningful due to a large negative income compared to NAV in the second and third quarters of 2005.

Current quarter returns are high due to a large net investment income compared to a relatively small NAV.

²⁶ Current quarter return is high due to unrealized appreciation. Since inception return is not meaningful due to a large appreciation posted during the third quarter 2004.

²⁷ Large discrepancy between before and after fee return due to the relatively large net loss compared to a negative NAV, which also causes after fee return to be higher than before fee thus making the current quarter and since inception return not meaningful.

²⁸ Current quarter and trailing one year returns are high due to strong appreciation from positive re-evaluation of assets in the fourth quarter 2005.

²⁹ Current quarter returns are high due to the relatively large net income compared to the NAV.

³⁰ Current quarter after fee return is greater than before fee return due to a negative incentive fee.

Non-Core Real Estate Portfolio Performance Detail by Partnership / Account (Before Fee) For the Period Ending December 31, 2005										
										Realized
	Inception Date	Net Assets at Fair Market Value			Total Nominal Returns Before Fees				Since Inception	Project IRR ¹ Since Inception
		Amount	% of Non- Core	Qtr	1-Yr	3-Yr	5-Yr			
Non-Core Continued										
Opportunistic Funds										
Apollo Real Estate Investment Fund V, L.P.	Sep-05	(663,387)	0.0%	¹⁰	N/M	N/AP	N/AP	N/AP	N/M ³¹	N/AP
Global Innovation Partners II	Sep-05	65,473,659	1.4%		-0.9%	N/AP	N/AP	N/AP	-3.0% ¹⁶	N/AP
Guggenheim Structured Real Estate	Sep-04	51,323,398	1.1%		3.8%	29.6%	N/AP	N/AP	N/M ³²	39.3%
Hampshire Partners Fund IV	Dec-03	22,013,974	0.5%		13.2%	29.7%	N/AP	N/AP	41.2%	59.0%
Kennedy Wilson Property Fund II	Nov-05	241,828	0.0%	¹⁰	N/M	N/AP	N/AP	N/AP	N/M ⁵	N/AP
Page Mill Properties, L.P.	Jan-03	15,229,360	0.3%		46.1%	N/M	N/AP	N/AP	N/M ³³	N/AP
RLJ Urban Lodging	Nov-04	16,073,178	0.3%		-0.6%	7.9%	N/AP	N/AP	6.2%	N/AP
Rockpoint RE Fund II	Sep-05	424,558	0.0%	¹⁰	N/M	N/AP	N/AP	N/AP	N/M ³⁴	N/AP
San Diego Smart Growth Fund	Jul-05	4,292,070	0.1%		-3.6%	N/AP	N/AP	N/AP	-7.0% ¹⁶	N/AP
Sares-Regis Group of Northern California	Jul-05	13,124,560	0.3%		1.6%	N/AP	N/AP	N/AP	7.1% ¹⁶	N/AP
Starwood Capital Hospitality Fund I	Apr-05	(2,018,684)	0.0%	¹⁰	N/M	N/AP	N/AP	N/AP	N/M ²⁴	N/AP
PREES REIT - Extended Market Index	Jun-02	319,897,816	6.6%		3.0%	13.8%	28.3%	N/AP	18.8%	N/AP
Real Estate Technology										
Global Innovation Partners	Apr-01	572,592,345	11.8%		24.8%	66.0%	41.1%	N/AP	21.1%	41.6%
LoopNet.Com	Nov-99	80,944	0.0%	¹⁰	0.0%	0.0%	0.0%	-43.5%	-36.6%	N/AP
Senior Housing										
AEW Senior Housing Company, LLC	Jun-01	162,549,491	3.4%		54.9%	106.7%	47.7%	N/AP	33.8% ²	29.4%
SHP Senior Housing Fund, LLC	Jan-03	180,445,908	3.7%		125.5%	140.7%	167.6%	N/AP	167.6% ³⁵	N/AP
Timberland										
Sylvanus LLC	Apr-02	122,480,543	2.5%		15.4%	21.2%	29.9%	N/AP	22.3%	N/AP
Total Non-Core	Dec-84	\$4,837,314,100 ³⁶	100.0%		15.6%	35.6%	32.2%	19.7%	12.9%	

¹ The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

² Current quarter and trailing one year returns are high due to realized appreciation in third and fourth quarter 2005.

⁵ Returns are not meaningful due to new Partnership's first quarter being reported as a partial quarter.

¹⁰ Less than 0.1% of the Non-Core Portfolio.

¹⁶ Since inception returns are annualized for investments / programs with less than four quarters of activity.

²⁴ Returns are not meaningful. CalPERS has not made a contribution to the fund.

³¹ Large discrepancy between before and after fee return due to the relatively large net loss compared to a negative NAV, which also causes after fee return to be higher than before fee thus making the current quarter and since inception return not meaningful.

³² Since inception returns are not meaningful due to a relatively large net income compared to the NAV in the fourth quarter of 2004.

³³ Current quarter returns are high due to unrealized appreciation in fourth quarter 2005. Trailing one year and since inception returns are not meaningful as CalPERS made a small contribution of \$40,759 to the partnership during the first three quarters of 2004, plus there has been relatively large unrealized appreciation compared to the NAV.

³⁴ Since inception return is not meaningful due to a relatively large net income compared to the NAV. Current quarter is not meaningful due to a negative income compared to a positive NAV.

³⁵ The high current quarter, one year and since inception returns are due to the large unrealized appreciation that was posted during the fourth quarter 2004 and 2005.

³⁶ Excludes sold portfolio activity.

Core Real Estate Portfolio Performance Detail by Partnership / Account (After Fee) For the Period Ending December 31, 2005										
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns After Fees</u>					<u>Realized Project IRR</u> ³⁷	
	Inception Date	Amount	% of Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	Since Inception	
Core										
Apartment										
GID Advisors - Windsor Realty Fund III	Jan-98	47,797,850	0.8%	48.4%	111.0%	44.2%	28.6%	24.2%	³⁸	17.2%
BlackRock Realty - Western Multifamily	Jan-98	1,078,501,834	19.1%	5.7%	21.3%	16.4%	14.1%	13.4%		15.6%
Industrial										
LaSalle - CalEast	Apr-98	368,708,488	6.5%	0.3%	39.4%	18.5%	15.6%	14.6%	³⁹	16.0%
LaSalle - International Industrial Real Estate	May-04	205,699,743	3.6%	0.8%	27.1%	N/AP	N/AP	19.1%		N/AP
RREEF - CalWest	Apr-98	1,386,796,916	24.6%	1.1%	82.9%	25.9%	19.2%	17.1%	³⁹	9.0%
Office										
CWP - Fifth Street Properties, LLC	Jul-98	24,108,853	0.4%	-4.8%	20.6%	19.1%	14.5%	15.9%		16.1%
CWP Managed	Jul-01	100,768,766	1.8%	1.9%	10.1%	7.6%	N/AP	7.0%		N/AP
Hines - National Office Partners, L.P.	Jul-98	694,122,239	12.3%	3.6%	46.3%	20.9%	12.3%	14.6%	⁴⁰	11.0%
PERS Managed	Apr-82	28,602,237	0.5%	3.7%	15.4%	15.4%	15.3%	12.6%		N/AP
Retail										
First Washington - Global Retail Investors	Dec-05	2,992,572	0.1%	N/M	N/AP	N/AP	N/AP	N/M	⁴¹	N/AP
Miller Capital - Institutional Mall Investors	Oct-03	1,302,652,997	23.1%	23.5%	28.0%	N/AP	N/AP	43.8%	⁴²	N/AP
Other Private										
AFL-CIO Building Investment Trust	Mar-91	137,501,407	2.4%	4.6%	17.1%	9.6%	8.1%	7.3%		N/AP
CIM Management - CIM Urban REIT	Feb-05	150,055,085	2.7%	-1.1%	0.2%	N/AP	N/AP	0.2%		N/AP
Public										
PREES - Enhanced Core	Sep-98	111,212,439	2.0%	2.3%	13.6%	26.9%	19.0%	18.4%		N/AP
Total Core	Apr-82	\$5,639,521,426 ⁴³	100.0%	8.2%	38.5%	23.2%	17.4%	10.6%		

³⁷ The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

³⁸ Current quarter and trailing one year returns are high due to realized appreciation in third and fourth quarter 2005.

³⁹ One year returns are high due to appreciation in second quarter 2005.

⁴⁰ One year returns are high due to realized appreciation in first quarter 2005.

⁴¹ Returns are not meaningful due to new Partnership's first quarter being reported as a partial quarter.

⁴² Current quarter returns are high due to unrealized appreciation in fourth quarter 2005.

⁴³ Excludes sold portfolio activity.

Non-Core Real Estate Portfolio Performance Detail by Partnership / Account (After Fee) For the Period Ending December 31, 2005									
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns After Fees</u>					<u>Realized</u> <u>Project IRR</u> ³⁷
	<u>Inception Date</u>	<u>Amount</u>	<u>% of Non-Core</u>	<u>Qtr</u>	<u>1-Yr</u>	<u>3-Yr</u>	<u>5-Yr</u>	<u>Since Inception</u>	<u>Since Inception</u>
Non-Core									
Agricultural Land									
Meriwether Farms, LLC	May-04	42,657,205	0.9%	-1.9%	-5.7%	N/AP	N/AP	-8.4%	N/AP
Pacific Vineyard Partners, LLC	Jul-02	74,808,391	1.5%	-1.8%	-4.3%	-4.8%	N/AP	-5.9%	N/AP
California Urban Real Estate (CURE)									
Bridge Urban Infill Land Development, LLC	Jun-02	33,613,147	0.7%	-0.4%	14.2%	5.0%	N/AP	6.3%	N/AP
Buchanan Urban Investors, LLC	Dec-01	37,296,224	0.8%	2.7%	9.0%	20.3%	N/AP	24.8%	34.5%
Buchanan Urban Investors II, LLC	Aug-03	97,633,153	2.0%	3.2%	14.5%	N/AP	N/AP	11.4%	35.4%
California Urban Investment Partners, LLC	Feb-97	241,424,016	5.0%	38.2%	34.8%	96.9%	56.3%	34.8%	12.7%
CalSmart, LLC	Mar-01	147,781,405	3.1%	8.4%	41.0%	24.6%	N/AP	15.2%	37.7%
Capri Urban Capital I, LLC	Jun-02	39,318,617	0.8%	-0.9%	13.4%	9.0%	N/AP	9.2%	13.9%
CIM Calif. Urban Real Estate Fund L.P.	Dec-00	200,512,281	4.1%	2.5%	8.3%	100.5%	-0.5%	-6.6%	N/M
Infill Investment Partners, LLC	Feb-00	926,076	0.0%	-0.5%	-2.1%	1.9%	-0.5%	-0.4%	14.5%
IHP Investment Fund IV	Dec-01	12,824,928	0.3%	81.4%	110.3%	0.5%	N/AP	-0.7%	23.6%
KAREC California Development Program, LLC	Apr-02	8,262,725	0.2%	0.0%	0.0%	17.6%	N/AP	17.6%	14.3%
Kennedy Office Development Program	Jan-98	6,082,286	0.1%	41.0%	42.2%	26.0%	19.9%	15.7%	30.6%
KSC Affordable Housing Investment Fund, LLC	Jul-02	1,452,785	0.0%	-0.6%	-3.0%	-5.3%	N/AP	-5.3%	N/AP
Legacy Partners Affordable Housing Fund	Jun-03	11,257,500	0.2%	0.0%	0.4%	N/AP	N/AP	-0.2%	N/AP
Meruelo - California Future Fund	Feb-05	160,992,797	3.3%	N/M	N/AP	N/AP	N/AP	N/M	N/AP
Pacific Cityhome, LLC	Aug-03	104,295,840	2.2%	9.6%	11.8%	N/AP	N/AP	-8.7%	N/AP
Housing									
CityView									
CityView America Fund	Jul-05	2,838,715	0.1%	N/M	N/AP	N/AP	N/AP	N/M	N/AP
Hearthstone Advisors									
Hearthstone Housing Partners II, L.P.	Aug-04	169,598,964	3.5%	0.1%	2.2%	N/AP	N/AP	2.9%	N/AP
Hearthstone MS Value Added III, LLC	Sep-03	26,185,383	0.5%	3.4%	16.7%	N/AP	N/AP	5.7%	53.5%
Hearthstone Path-of-Growth Fund	Nov-05	(76,122)	0.0%	N/M	N/AP	N/AP	N/AP	N/M	N/AP

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⁴¹ Returns are not meaningful due to new Partnership's first quarter being reported as a partial quarter.

⁴⁴ This high return is due to large realized and unrealized appreciation posted during the fourth quarter 2004 and 2005 compared to the NAV.

⁴⁵ This high return is due to the relatively large unrealized appreciation (in the development properties) posted during the fourth quarter 2003 compared to the NAV.

⁴⁶ Less than 0.1% of the Non-Core Portfolio.

⁴⁷ Current quarter and trailing one year returns are high due to a large net investment income compared to a relatively small NAV.

⁴⁸ Current quarter and trailing one year returns are high due to realized appreciation in fourth quarter 2005.

⁴⁹ CalPERS is a direct lender to Meruelo. The initial capital call was on 2/17/2005. There is a pay rate of 6.5% and an accrual rate of 11.5% on the outstanding balance.

⁵⁰ Current quarter and since inception returns are not meaningful due to partnership's negative investment income compared to their small NAV.

Non-Core Real Estate Portfolio									
Performance Detail by Partnership / Account (After Fee)									
For the Period Ending December 31, 2005									
	Inception Date	Net Assets at Fair Market Value		Qtr	Total Nominal Returns After Fees				Realized
		Amount	% of Non-Core		1-Yr	3-Yr	5-Yr	Since Inception	Project IRR ³⁸ Since Inception
Non-Core Continued									
Housing (Continued)									
Institutional Housing Partners									
IHP Investment Fund I, L.P.	Jul-92	61,564,185	1.3%	-10.1%	-2.1%	5.9%	9.8%	15.7%	35.1%
IHP Investment Fund II, L.P.	Sep-95	21,558,482	0.4%	-0.1%	-0.4%	-223.4%	-250.9%	N/M ⁵¹	24.9%
IHP Investment Fund III, L.P.	Oct-99	433,953,874	9.0%	7.9%	35.2%	31.2%	23.0%	17.8%	29.8%
IHP Investment Fund V, L.P.	Jan-03	28,550,365	0.6%	1.7%	30.4%	23.1%	N/AP	23.1%	29.4%
PICAL Housing Associates, L.P.	Sep-92	3,158,023	0.1%	0.1%	-1.5%	-1.5%	13.6%	9.4%	N/AP
PICAL Housing Associates II, L.P.	Mar-95	2,398,359	0.0%	31.9%	24.4%	11.2%	18.8%	21.2%	N/AP ⁵²
M/W Housing Partners									
MW Housing Partners III, L.P.	Jan-01	112,726,836	2.3%	6.4%	25.2%	30.3%	5.4%	5.4%	37.1%
Newland Capital Advisors									
Cal-Land Asset Partners, LP	Aug-95	10,969,280	0.2%	-1.2%	10.7%	13.3%	15.6%	-0.7%	19.0%
Newland National Partners, L.P.	Oct-99	209,161,665	4.3%	5.6%	25.0%	12.0%	10.3%	7.6%	N/AP
Newland National Partners II, L.P.	Oct-03	63,327,016	1.3%	-5.0%	2.5%	N/AP	N/AP	0.9%	N/AP
Newland National Partners III, L.P.	May-05	41,876,373	0.9%	-2.8%	N/AP	N/AP	N/AP	-5.7%	N/AP ⁵³
Resmark Equity Partners, LLC									
ORA Multifamily Investments I, L.P.	Dec-04	42,739,571	0.9%	8.4%	9.6%	N/AP	N/AP	N/M ⁵⁴	N/AP
ORA Residential Investments I, L.P.	Oct-99	91,570,247	1.9%	28.9%	60.8%	43.1%	39.0%	31.5%	30.7%
Residential Real Estate Partners									
Residential Real Estate Partners III, L.P.	Jan-00	4,676,319	0.1%	246.4%	656.5%	239.2%	114.5%	89.5%	25.7% ⁵⁵
Shea Homes, L.P.									
Shea Capital I, LLC	Apr-05	24,451,493	0.5%	-14.0%	N/AP	N/AP	N/AP	117.3%	N/AP ⁵⁶
Shea Capital II, LLC	Oct-05	4,276,045	0.1%	N/M	N/AP	N/AP	N/AP	N/M ⁴¹	N/AP
Shea Mountain House, LLC	May-05	123,325,608	2.5%	-1.5%	N/AP	N/AP	N/AP	-4.8%	N/AP ⁵³
Wells Fargo Realty Advisors									
WFHAI Housing Fund, L.P.	Aug-92	56,443,049	1.2%	4.4%	25.5%	21.6%	23.6%	23.7%	24.3%
Olson Urban Housing	Feb-00	35,039,299	0.7%	13.9%	22.0%	21.8%	15.4%	11.7%	N/AP

³⁷ The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

⁴¹ Returns are not meaningful due to new Partnership's first quarter being reported as a partial quarter.

⁴⁶ Less than 0.1% of the Non-Core Portfolio.

⁵¹ There are only two projects left in IHP Fund II. The beginning NAV for the third and fourth quarters of 2003 became negative, which is the cause of the large negative returns.

⁵² Large discrepancy between before and after fee return due to a large negative incentive fee expensed relative to net asset value, which also causes after fee return to be higher than before fee.

⁵³ Since inception returns are annualized for investments / programs with less than four quarters of activity.

⁵⁴ Returns are not meaningful for since inception due to a large negative income compared to NAV in the fourth quarter of 2004.

⁵⁵ The high returns are due to the relatively large net income compared to the NAV.

⁵⁶ Large discrepancy between before and after fee return due to the relatively large net loss compared to a negative NAV, which also causes after fee return to be higher than before fee. Since inception return is annualized for investments / programs with less than four quarters of activity.

Non-Core Real Estate Portfolio									
Performance Detail by Partnership / Account (After Fee)									
For the Period Ending December 31, 2005									
	Inception Date	Net Assets at Fair Market Value		Qtr	Total Nominal Returns After Fees				Realized
		Amount	% of Non-Core		1-Yr	3-Yr	5-Yr	Since Inception	Project IRR ³⁷ Since Inception
Non-Core Continued									
International									
Aetos Capital Asia T.E., L.P.	Feb-03	69,697,839	1.4%	20.9%	41.2%	N/M	N/AP	N/M ⁵⁷	73.2%
Aetos Capital Asia T.E. II, L.P.	Sep-05	3,831,081	0.1%	-29.6%	N/AP	N/AP	N/AP	N/M ⁵⁸	N/AP
DB Real Estate Global Opportunities 1A, L.P.	Dec-03	13,561,112	0.3%	3.9%	18.9%	N/AP	N/AP	20.4% ⁵⁹	18.0%
DB Real Estate Global Opportunities 1B, L.P.	Dec-03	47,136,229	1.0%	25.0%	25.4%	N/AP	N/AP	N/M ⁶⁰	N/AP
Fortress Residential Investment Deutschland	Aug-05	14,773,700	0.3%	-3.9%	N/AP	N/AP	N/AP	-28.5% ⁵³	N/AP
HCB Interests (Hines Brazil)	Aug-05	(1,255,183)	0.0% ⁴⁶	N/M	N/AP	N/AP	N/AP	N/M ⁶¹	N/AP
Hines Mexico (HCM Holdings)	Jan-05	8,537,212	0.2%	38.7%	N/M	N/AP	N/AP	N/M ⁶²	N/AP
Hines European Development Fund	Mar-03	(1,689,606)	0.0% ⁴⁶	N/M	N/M	N/AP	N/AP	N/M ⁶¹	N/AP
IXIS AEW European Property Investors, L.P.	Sep-04	39,360,312	0.8%	68.8%	45.9%	N/AP	N/AP	N/M ⁶³	N/AP
LaSalle French Fund II	Dec-05	13,790,080	0.3%	N/M	N/AP	N/AP	N/AP	N/M ⁴¹	N/AP
Macquarie Asia Fund II	Aug-05	1,497,334	0.0% ⁴⁶	N/M	N/AP	N/AP	N/AP	N/M ⁵⁸	N/AP
Macquarie Europe Parallel Fund II	Aug-05	(557,501)	0.0% ⁴⁶	N/M	N/AP	N/AP	N/AP	N/M ⁶⁴	N/AP
NIAM Nordic Investment Fund III, L.P.	Sep-04	15,855,001	0.3%	48.6%	104.5%	N/AP	N/AP	17.0% ⁶⁵	N/AP
Prudential - PLA Residential Fund I	Jul-04	155,199,181	3.2%	21.9%	27.7%	N/AP	N/AP	17.2% ⁶⁶	N/AP
RREEF Global Opportunities Fund II	Dec-05	38,730,586	0.8%	N/M	N/AP	N/AP	N/AP	N/M ⁴¹	N/AP
SDL Hospitality Co-Invest Fund	Oct-05	71,836,148	1.5%	N/M	N/AP	N/AP	N/AP	N/M ⁴¹	N/AP
Secured Capital Japan	Mar-04	51,392,652	1.1%	7.5%	19.8%	N/AP	N/AP	8.0% ⁶⁷	N/AP
Secured Capital Japan II	Sep-05	326,265	0.0% ⁴⁶	N/M	N/AP	N/AP	N/AP	N/M ⁶¹	N/AP
Security Capital European Development	Apr-98	2,858,776	0.1%	0.6%	1.6%	-2.4%	-3.3%	-2.3%	-14.1%

³⁷ The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

⁴¹ Returns are not meaningful due to new Partnership's first quarter being reported as a partial quarter.

⁴⁶ Less than 0.1% of the Non-Core Portfolio.

⁵³ Since inception returns are annualized for investments / programs with less than four quarters of activity.

⁵⁷ Since Inception Return is not meaningful. Initial quarter returns contain distributions which have decreased the weighted average equity to a very small value compared to the income and appreciation return component.

⁵⁸ Since inception return is not meaningful due to partnership's negative income compared to their small NAV.

⁵⁹ Large discrepancy between before and after fee return due to a large incentive fee expensed relative to net asset value.

⁶⁰ Since inception returns are not meaningful due to recognition of income and appreciation prior to any contribution by CalPERS.

⁶¹ Returns are not meaningful. CalPERS has not made a contribution to the fund.

⁶² One year and since inception returns are not meaningful due to a large negative income compared to NAV in the second and third quarters of 2005.

Current quarter returns are high due to a large net investment income compared to a relatively small NAV.

⁶³ Current quarter return is high due to unrealized appreciation. Since inception return is not meaningful due a large appreciation posted during the third quarter 2004.

⁶⁴ Large discrepancy between before and after fee return due to the relatively large net loss compared to a negative NAV, which also causes after fee return to be higher than before fee thus making the current quarter and since inception return not meaningful.

⁶⁵ Current quarter and trailing one year returns are high due to strong appreciation from positive re-evaluation of assets in the fourth quarter 2005.

⁶⁶ Current quarter returns are high due to the relatively large net income compared to the NAV.

⁶⁷ Current quarter after fee return is greater than before fee return due to a negative incentive fee.

Non-Core Real Estate Portfolio Performance Detail by Partnership / Account (After Fee) For the Period Ending December 31, 2005									
	Inception Date	Net Assets at Fair Market Value		Qtr	Total Nominal Returns After Fees				Realized Project IRR ³⁷
		Amount	% of Non- Core		1-Yr	3-Yr	5-Yr	Since Inception	Since Inception
Non-Core Continued									
Opportunistic Funds									
Apollo Real Estate Investment Fund V, L.P.	Sep-05	(663,387)	0.0% ⁴⁶	N/M	N/AP	N/AP	N/AP	N/M ⁶⁸	N/AP
Global Innovation Partners II	Sep-05	65,473,659	1.4%	-0.9%	N/AP	N/AP	N/AP	-3.0% ⁵³	N/AP
Guggenheim Structured Real Estate	Sep-04	51,323,398	1.1%	3.3%	24.1%	N/AP	N/AP	N/M ⁶⁹	30.2%
Hampshire Partners Fund IV	Dec-03	22,013,974	0.5%	12.8%	23.3%	N/AP	N/AP	29.7%	59.0%
Kennedy Wilson Property Fund II	Nov-05	241,828	0.0% ⁴⁶	N/M	N/AP	N/AP	N/AP	N/M ⁴¹	N/AP
Page Mill Properties, L.P.	Jan-03	15,229,360	0.3%	N/M	N/M	N/AP	N/AP	N/M ⁷⁰	N/AP
RLJ Urban Lodging	Nov-04	16,073,178	0.3%	-0.6%	7.9%	N/AP	N/AP	6.2%	N/AP
Rockpoint RE Fund II	Sep-05	424,558	0.0% ⁴⁶	N/M	N/AP	N/AP	N/AP	N/M ⁷¹	N/AP
San Diego Smart Growth Fund	Jul-05	4,292,070	0.1%	-37.2%	N/AP	N/AP	N/AP	-12.2% ⁵³	N/AP
Sares-Regis Group of Northern California	Jul-05	13,124,560	0.3%	1.5%	N/AP	N/AP	N/AP	6.8% ⁵³	N/AP
Starwood Capital Hospitality Fund I	Apr-05	(2,018,684)	0.0% ⁴⁶	N/M	N/AP	N/AP	N/AP	N/M ⁶¹	N/AP
PREES REIT - Extended Market Index	Jun-02	319,897,816	6.6%	3.0%	13.8%	28.3%	N/AP	18.8%	N/AP
Real Estate Technology									
Global Innovation Partners	Apr-01	572,592,345	11.8%	19.8%	50.0%	30.9%	N/AP	7.7%	32.8%
LoopNet.Com	Nov-99	80,944	0.0% ⁴⁶	0.0%	0.0%	0.0%	-43.5%	-36.6%	N/AP
Senior Housing									
AEW Senior Housing Company, LLC	Jun-01	162,549,491	3.4%	53.5%	103.2%	45.9%	N/AP	32.2% ³⁸	28.1%
SHP Senior Housing Fund, LLC	Jan-03	180,445,908	3.7%	92.5%	102.4%	125.4%	N/AP	125.4% ⁷²	N/AP
Timberland									
Sylvanus LLC	Apr-02	122,480,543	2.5%	13.9%	19.5%	27.7%	N/AP	20.3%	N/AP
Total Non-Core	Dec-84	4,837,314,100 ⁷³	100.0%	12.1%	27.2%	25.3%	15.0%	11.0%	

³⁷ The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

³⁸ Current quarter and trailing one year returns are high due to realized appreciation in third and fourth quarter 2005.

⁴¹ Returns are not meaningful due to new Partnership's first quarter being reported as a partial quarter.

⁴⁶ Less than 0.1% of the Non-Core Portfolio.

⁵³ Since inception returns are annualized for investments / programs with less than four quarters of activity.

⁶¹ Returns are not meaningful. CalPERS has not made a contribution to the fund.

⁶⁸ Large discrepancy between before and after fee return due to the relatively large net loss compared to a negative NAV, which also causes after fee return to be higher than before fee thus making the current quarter and since inception return not meaningful.

⁶⁹ Since inception returns are not meaningful due to a relatively large net income compared to the NAV in the fourth quarter of 2004.

⁷⁰ Current quarter returns are high due to unrealized appreciation in fourth quarter 2005. Trailing one year and since inception returns are not meaningful as CalPERS made a small contribution of \$40,759 to the partnership during the first three quarters of 2004, plus there has been relatively large unrealized appreciation compared to the NAV.

⁷¹ Since inception return is not meaningful due to a relatively large net income compared to the NAV. Current quarter is not meaningful due to a negative income compared to a positive NAV.

⁷² The high current quarter, one year and since inception returns are due to the large unrealized appreciation that was posted during the fourth quarter 2004 and 2005.

⁷³ Excludes sold portfolio activity.

V. APPENDIX

CORE PORTFOLIO DESCRIPTION

CORE PORTFOLIO

The core advisors/investments have varying investment mandates established by CalPERS and include the following:

Apartment Advisors

- ◆ ***Windsor Realty Fund III, L.P.*** is a partnership between CalPERS and General Investment & Development Co. (“GID Advisers”) seeking to invest in apartment properties throughout the Eastern United States.
- ◆ ***SSR Western Multifamily, LLC*** (“SSR LLC”) is a limited liability corporation created through an agreement between CalPERS and BlackRock Realty Advisors (formerly known as SSR Realty Advisors) seeking to invest in apartment properties in the Western United States.

Industrial Advisors

- ◆ ***CalEast Industrial Investors, LLC*** is a limited liability corporation created through an agreement between CalPERS and LaSalle Advisors seeking to invest in industrial properties throughout the Eastern United States.
- ◆ ***CalWest Industrial Investors, LLC*** is a limited liability corporation created through an agreement between CalPERS and RoCal LLC (“RREEF”) seeking to invest in industrial properties throughout the Western United States.
- ◆ ***International Industrial Real Estate*** is an advisory agreement between CalPERS and LaSalle Investment Management (“LIM”) for services in connection with international investment opportunities in Mexico and Canada.

Office Advisors

- ◆ ***Fifth Street Properties, LLC*** is a limited liability corporation created through an agreement between CalPERS and Commonwealth Partners, LLC (“CWP”) seeking to invest in office properties in the Western United States.
- ◆ ***CWP Managed*** - Commonwealth Partners manages a CalPERS owned asset, Bishop Square, a 928,598 square foot office complex consisting of two high rise office buildings located in Honolulu, HI.
- ◆ ***National Office Partners, L.P.*** (“NOP”) is a limited partnership created through an agreement between CalPERS and Hines National Office Partners, L.P. seeking to invest in office properties primarily in the Eastern United States and selected Western U.S. markets.
- ◆ ***PERS*** owned asset represents one investment, Capitol Square, a 504,000 square foot office building located in Sacramento, CA.

CORE PORTFOLIO

Retail Advisors

- ♦ ***Global Retail Investors, LLC*** was formed effective July 2005. This is a limited liability corporation created through an operating agreement between CalPERS and First Washington Realty seeking to invest in (non mall) shopping centers.
- ♦ ***Institutional Mall Investors, LLC*** is a limited liability corporation created through an operating agreement between CalPERS and Miller Capital Advisory seeking to invest in malls.

PREES Enhanced Core

- ♦ CalPERS implemented and approved its REIT strategy in September 1998. The PREES Enhanced Core Portfolio is an enhanced index that is internally managed by CalPERS' staff with allocations across the four core property types of Apartment, Industrial, Office, and Retail.

Diversified Core Advisors

- ♦ ***AFL-CIO Building Investment Trust (AFL-CIO BIT)*** - CalPERS holds a 6.6 percent position in the open-ended commingled fund investing in core real estate, with Mercantile Safe Deposit and Trust Company as trustee.
- ♦ ***CIM Management Urban REIT*** is a private REIT that will buy core assets in dynamic urban markets in which CIM is active. An initial capital contribution was made on February 17, 2005. CalPERS total allocation will be 25% of the REIT, subject to a minimum allocation of \$200 million and a maximum allocation of \$500 million.

NON-CORE PORTFOLIO DESCRIPTION

NON-CORE PORTFOLIO

The funded Non-Core Portfolio includes the following:

Agricultural Land

CalPERS has allocated \$100 million to invest in the development of vineyard land on the West Coast for the fine wine industry. Currently CalPERS has two partnerships with funded investments, which are listed below.

- ◆ Pacific Vineyard Partners, LLC
- ◆ Meriwether Farms, LLC

CURE (California Urban Real Estate) Program

The CURE program aims to create asset value through the rehabilitation, repositioning and development of real estate projects located primarily in urban neighborhoods of California's major metropolitan areas. Following is a list of the CURE partnerships and the advisors associated with them.

- ◆ Bridge Urban Infill Land Development, LLC – Bridge Infill Development, Inc.
- ◆ Buchanan Urban Investors, LLC – Buchanan Street Partners
- ◆ Buchanan Urban Investors II, LLC – Buchanan Street Partners
- ◆ California Urban Investment Partners (CUIP) – MacFarlane Partners
- ◆ CalSmart, LLC – RREEF
- ◆ Capri Urban Capital I, LLC – Capri Capital LP
- ◆ CIM California Urban Real Estate Fund LP – CIM Group
- ◆ IHP Investment Fund IV – Institutional Housing Partners
- ◆ Infill Investment Partners, LLC – Common Wealth Partners
- ◆ Kennedy – Kennedy Associates Real Estate Counsel
- ◆ KAREC CDP, LLC – Kennedy Associates Real Estate Counsel
- ◆ KSC Affordable Housing Investment Fund, LLC – Klein Financial
- ◆ Legacy Partners Affordable Housing Fund, LLC – Legacy Partners Residential, Inc.
- ◆ Meruelo – California Future Fund
- ◆ Pacific CityHome, LLC – CityView

NON-CORE PORTFOLIO

Housing Program

The housing program is national with primary emphasis directed toward the California market. Investments are made in “for-sale” residential property as well as infrastructure development construction. Following are the active partnerships listed by the program’s subcategories.

♦ ***Acquisition and Development***

- ♦ Cal Land Asset Partners, LP
- ♦ IHP Investment Fund II, LP
- ♦ PICAL Housing Partners II, LP

♦ ***National***

- ♦ CityView America Fund I LLC
- ♦ Hearthstone MSII Homebuilding Investors, LLC
- ♦ Hearthstone MSIII Value Added, LLC
- ♦ Hearthstone Path-of-Growth Fund
- ♦ IHP Investment Fund III, LP
- ♦ IHP Investment Fund V, LP
- ♦ MW Housing Partners III, LP
- ♦ Newland National Partners, LP
- ♦ Newland National Partners II, LP
- ♦ Newland National Partners III, LP
- ♦ ORA Multifamily Investments I, LLC
- ♦ ORA Residential Investments I, LP
- ♦ Residential Real Estate Partners III
- ♦ Shea Capital I, LLC
- ♦ Shea Capital II, LLC
- ♦ Shea Mountain House, LLC
- ♦ WFHAI Housing Fund, LP
- ♦ Olson Urban Housing

♦ ***Single Family***

- ♦ Hearthstone Housing Partners II, LP
- ♦ IHP Investment Fund I, LP
- ♦ PICAL Housing Associates, LP

NON-CORE PORTFOLIO

International

- ◆ ***Aetos Capital Asia T.E., L.P.*** – The focus of this commingled fund is to achieve superior performance returns through real estate, distressed debt, and real estate related investment activities principally in the Asian market, with an emphasis on Japanese investments. The other limited partners include California State Teachers' Retirement System (CalSTRS), AT&T, John Deere, and the United Nations. As of December 31, 2005, CalPERS' share of the fund's Net Asset Value was \$69,697,839.
- ◆ ***Aetos Capital Asia T.E. II, L.P.*** – The focus of this commingled fund is to achieve superior performance returns through real estate, distressed debt, and real estate related investment activities principally in the Asian market, with a main emphasis on Japanese investments. The other limited partners include California State Teachers' retirement System (CalSTRS), AT&T, United Nations, IBM Retirement Funds, Franklin Templeton, The Rockefeller Foundation, Oregon Public Employees' Retirement Fund, New York Common Retirement Fund, and Dupont. As of December 31, 2005, CalPERS' share of the fund's Net Asset Value was \$3,831,081.
- ◆ ***DB Real Estate Global Opportunities Fund 1A*** – This fund acquired a portfolio of diverse international real estate and real estate-related assets (concentrated in Europe, Asia Pacific, and the Americas) from Deutsche Bank AG for income and capital appreciation. The other investors in this fund are Colorado Public Employees' Retirement (COPERA), California State Teachers' Retirement System (CalSTRS), and State of North Carolina Funds. As of December 31, 2005, CalPERS' share of the fund's Net Asset Value was \$13,561,112.
- ◆ ***DB Real Estate Global Opportunities Fund 1B*** – The focus of this commingled fund is to buy distressed and under-performing international properties (concentrated in Europe, Asia Pacific, and the Americas) for re-leasing and repositioning. The other investors in this fund are Colorado Public Employees' Retirement (COPERA), California State Teachers' Retirement System (CalSTRS), and State of North Carolina Funds. This is a follow-on investment to DB Real Estate Global Opportunities Fund 1A. As of December 31, 2005, CalPERS' share of the fund's Net Asset Value was \$47,136,229.
- ◆ ***Fortress Residential Investment Deutschland L.P.*** – CalPERS entered into this partnership on March 24, 2005 with a commitment of \$250 million or 12.3% of the fund. This fund specializes in German residential real estate investments. As of December 31, 2005, the fund was 6% invested with two large German housing portfolios (GAGFAH and NILEG). As of December 31, 2005, CalPERS' share of the partnership's Net Asset Value was \$14,773,700.

NON-CORE PORTFOLIO

- ◆ **HCB Interests (Hines Brazil)** – This partnership was formed to invest in the development and renovation of industrial, office, retail and for sale residential properties in Brazil with the primary focus being in the cities of Sao Paulo and Rio de Janeiro. CalPERS entered into this partnership on August 19, 2005 and has committed \$100 million to the partnership. As of December 31, 2005, CalPERS' share of the partnership's Net Asset Value was <\$1,255,183>.
- ◆ **HCM Holdings (Hines Mexico)** – The partnership's purpose is to directly or indirectly acquire, own, manage, lease, finance, construct, develop and ultimately sell real estate projects in Mexico. CalPERS entered into this partnership on January 6, 2005 and holds a 94.5% stake and has committed \$94.5 million to the partnership. As of December 31, 2005, CalPERS' share of the partnership's Net Asset Value was \$8,537,212.
- ◆ **Hines European Development Fund, L.P.** – CalPERS entered into this partnership on March 24, 2003. The other limited partners include Teachers Insurance and Annuity Association of America (TIAA) and Oxford Properties Group, a wholly owned subsidiary of Ontario Municipal Employees Retirement Board (OMERS). The Fund will invest in development and re-development of primarily office projects in five countries within Western Europe (France, Germany, Italy, Spain, and the United Kingdom). The Fund employs 100 percent leverage which results in a targeted return, net of all fees, of an infinite IRR. This line of credit is collateralized by the unpaid capital commitments of the Limited Partners. To date, no partner capital has been called. As a result, investment performance is not presented. CalPERS has committed \$75 million to this partnership. As of December 31, 2005, CalPERS' share of the partnership's Net Asset Value was <\$1,689,606>.
- ◆ **IXIS AEW European Property Investors, L.P.** – The partnership was formed for the purpose of acquiring, improving, leasing, maintaining, owning, operating and managing real estate assets in Europe. CalPERS entered into this partnership on September 8, 2004. As of December 31, 2005, CalPERS' share of the partnership's Net Asset Value was \$39,360,312.
- ◆ **LaSalle French Fund II** – CalPERS entered into this partnership on December 23, 2005, and committed €50 million. The Fund will primarily invest in office, logistics, light industrial, retail and other commercial properties throughout France. As of December 31, 2005, CalPERS' share of the Fund's Net Asset Value was \$13,790,080.

NON-CORE PORTFOLIO

- ◆ ***Macquarie Global Property Advisors Asia Fund II, L.P.*** – CalPERS entered into this partnership on July 13, 2005. The other limited partners include 25 investors from the Netherlands, Middle East, Australia, Canada, United States, Switzerland and Austria. The Fund will invest and co-invest with third-party capital providers in a diverse portfolio of real estate located in Asia. As of December 31, 2005, CalPERS' share of the fund's Net Asset Value was \$1,497,334.
- ◆ ***Macquarie Global Property Advisors Europe Fund II, L.P.*** – The focus of this commingled fund is to acquire distressed and under-performing office, industrial and retail properties in Western and Central Europe for re-leasing and repositioning. The other investors in this fund include New York State Teacher's Retirement Fund, California State Teacher's Retirement System and Mellon Trust of New England as trustee for the UPS Retirement Plan Trust. This is a parallel fund with MGP Asia Fund II. Macquarie Global Property Advisors is the fund sponsor and general partner. CalPERS has committed \$100 million to this partnership. As of December 31, 2005, CalPERS' share of the fund's Net Asset Value was <\$557,501>.
- ◆ ***NIAM Nordic Investment Fund III, L.P.*** – CalPERS entered into this partnership on September 6, 2004. Other large investors include California State Teachers' Retirement System (CalSTRS) and General Electric Pension Trust, among others. As of December 31, 2005, CalPERS' share of the partnership's Net Asset Value was \$15,855,001.
- ◆ ***PLA Residential Fund I, LLC.*** – CalPERS entered into this partnership on July 7, 2004. This fund is structured to pursue a variety of investments composed primarily for residential real estate investments throughout major development corridors in Mexico's metropolitan areas. As of December 31, 2005, CalPERS' share of the Fund's Net Asset Value was \$155,199,181.
- ◆ ***RREEF Global Opportunities Fund II*** – The focus of this commingled fund is to buy distressed, under-performing and development properties (concentrated in Europe, Asia Pacific, and the Americas) for re-leasing and repositioning. This is a follow-on investment to DB Real Estate Global Opportunities Fund 1B. As of December 31, 2005, CalPERS' share of the fund's Net Asset Value was \$38,730,586.

NON-CORE PORTFOLIO

- ◆ ***Secured Capital Japan Real Estate Partners I, L.P.*** – CalPERS entered into this partnership on February 23, 2004. The other limited partners include the John Deere Pension Trust, Nestle in the USA Pension Trust, and the Jewish Federation of Metropolitan Chicago. The Fund will invest and co-invest with third-party capital providers in a diverse portfolio of commercial and residential real estate located in Japan. As of December 31, 2005, CalPERS' share of the partnership's Net Asset Value was \$51,392,652.
- ◆ ***Secured Capital Japan Real Estate Partners II, L.P.*** – CalPERS entered into this partnership on April 12, 2005. The other limited partners include the John Deere Pension Trust, Nestle in the USA Pension Trust, and the Jewish Federation of Metropolitan Chicago. The Fund will invest and co-invest with third-party capital providers in a diverse portfolio of commercial and residential real estate located in Japan. As of December 31, 2005, CalPERS' share of the fund's Net Asset Value was \$326,265.
- ◆ ***Security Capital European Realty*** – Security Capital focuses on investing throughout the United Kingdom, with limited exposure in Australia. Security Capital European Realty invests in office, retail and self-storage properties as well as some fully integrated real estate operating companies. As of December 31, 2005, CalPERS' share of the partnership's Net Asset Value was \$2,858,776.

Opportunistic Funds

- ◆ ***Apollo Real Estate Investment Fund V, L.P.*** – The investment strategy is based on executing on the arbitrage between the high demand and liquidity for stabilized, core real estate assets and the relatively low demand and liquidity for assets that require complex structuring or value-added expertise to turn them around, primarily in the United States. In September 2005, CalPERS committed \$50 million, an approximately 10% share, to this commingled fund.
- ◆ ***Global Innovation Partners II*** – CalPERS has allocated \$500 million to this commingled fund. The fund seeks to blend the disciplines of private equity and real estate by making significant investments in real estate intensive and asset backed businesses. CalSTRS is also an investor in the fund.
- ◆ ***Guggenheim Structured Real Estate*** – This partnership was formed to invest in structured product mezzanine debt investments in commercial real estate assets mainly within the United States, with no more than 10% of assets being placed in foreign investments. CalPERS entered into this partnership on September 28, 2004 and have committed \$50 million to the partnership. The fund will build a diversified portfolio of real estate debt, generally focusing on BBB, B Note, and Mezzanine debt tranches within the capital structure.

NON-CORE PORTFOLIO

- ◆ ***Hampshire Partners Fund IV, L.P.*** – CalPERS entered into this partnership on December 15, 2003. The other limited partners include Northwestern Mutual Life Insurance Co., and Hope College. The fund has a \$50 million Subscription Credit Facility from Bank of America. CalPERS has committed \$50 million to this fund.
- ◆ ***Kennedy Wilson Property Fund II*** – The fund is a \$200 million equity value-added U.S. office and industrial property fund sponsored by Kennedy Wilson who has committed to co-invest 5% or up to \$10 million. This fund intends to invest in sunbelt "growth" markets in California, Arizona, Florida and Georgia. The fund will have a maximum portfolio leverage of 65% which will allow it to purchase assets totaling \$570 million. CalPERS entered into this partnership on November 1, 2005 with a commitment of \$50 million. To date, the fund has commitments of \$5.88 million (10%) from Wachovia and \$2.94 million (5%) from Kennedy Wilson.
- ◆ ***Page Mill Properties, L.P.*** – CalPERS entered into this partnership on September 20, 2002. The other limited partners include California State Teachers' Retirement System (CalSTRS) and Oregon Public Employees' Retirement Fund. This partnership invests in commercial properties in Northern California and other technology dominant markets. Funding for the start-up and organization, operating, and purchasing activity has been provided by the Partnership's line of credit ("Subscription Line"). This Subscription Line is collateralized by the unpaid capital commitments of the Limited Partners. CalPERS has committed \$75 million to this partnership.
- ◆ ***RLJ Urban Lodging*** – CalPERS entered into this commingled fund in November of 2004. CalPERS presently has a 7.9% share of this fund. This fund is expected to focus on acquiring, owning, holding for investment and ultimately disposing of upscale, focused or limited-service hotels and compact full-service hotels serving urban markets in the United States, Canada and Puerto Rico. CalPERS has committed \$25 million to this fund.
- ◆ ***Rockpoint Real Estate Fund II, L.P.*** – The focus of this commingled fund is a mix of primarily domestic investments in moderately distressed real estate assets in eastern and western U.S. and foreign investments in selective European and Asian markets.

NON-CORE PORTFOLIO

- ◆ **San Diego Smart Growth Fund** – CalPERS entered into the fund as 66.7% shareholder on April 13, 2005 with an equity commitment of \$60 million. The Fund is a \$90 million commingled fund with two additional institutional investors as well as a co-investment by Phoenix Realty Group, the manager of the fund. The fund is structured to provide equity and mezzanine financing for the creation of new infill residential properties (affordable housing), retail, and office investments in the San Diego metropolitan area.
- ◆ **Sares-Regis Group of Northern California** is a partnership between CalPERS and Sares Regis to acquire properties in and around downtown Sacramento, with a focus on the R St. corridor.
- ◆ **Starwood Capital Hospitality Fund I** was formed effective April 2005. The fund will invest, either through debt or equity, in hotel-related assets with particular focus on redevelopment, repositioning, and reflagging of resorts, full-service and extended stay hotels on a global basis. CalPERS has committed \$200 million, an approximate 22% share, to this commingled fund. As of December 31, 2005 there has been no capital drawn for this partnership.

Real Estate Technology Program

These investments are in real estate or real estate related entities with a focus on technology.

- ◆ **Global Innovation Partners** is a joint venture between CalPERS and CB Richard Ellis Investors; although this program is fully allocated to Real Estate, it is a joint management effort between the Real Estate and Alternative Investment Management units.
- ◆ **LoopNet.com** – CalPERS has invested approximately \$1.4 million in LoopNet, Inc. This privately-held internet real estate technology company maintains an on-line listing service for sale and lease properties.

Senior Housing Program

The Senior Housing program includes three types of housing that provide varying levels of care and services for seniors. The housing types are independent living (congregate care), assisted living, and continuing care retirement communities. Currently CalPERS has two partners with funded investments, they are listed below.

- ◆ AEW Senior Housing Co., LLC
- ◆ SHP Senior Housing Fund, LLC

NON-CORE PORTFOLIO

Timberland

CalPERS invests in approximately 54,554 acres of tree farms in Brazil and 35,271 acres in the New South Wales province of Australia through a co-investment partnership with the following partner:

- ◆ Sylvanus LLC

Other

This category encompasses all non-core investments not mentioned above.

PREES – Extended Market – CalPERS implemented its Extended Market Real Estate Equity Securities Portfolio in June 2002. The portfolio is internally managed by CalPERS staff and is allocated among nine property type sectors, including Apartment, Industrial, Office, Retail, Manufactured Housing, Outlets, Hotels, Diversified, and Storage. It is benchmarked to the Wilshire Real Estate Securities Index.

PERFORMANCE MEASUREMENT GLOSSARY

GLOSSARY

Annualized – When returns for a period other than one year are put on an annual basis. For example, an individual quarter return would be annualized as follows:

$$[(1 + \text{Quarter Return})^4] - 1 = \text{Annualized Return}$$

Appreciation Return – Expressed as a percentage, the change in market value over the period of analysis. The appreciation return is computed as follows:

$$\left[\frac{\text{Realized + Unrealized Gain or Loss}}{\text{Beginning Net Assets + Time-Weighted Contributions - Time-Weighted Distributions}} \right] \times 100$$

For assets which continue to be held, the appreciation is unrealized. When assets are sold, the appreciation is realized.

Capitalization Rate – Any rate used to convert income into value. Value conversion formula is as follows:

$$\text{Net Operating Income} / \text{Capitalization Rate} = \text{Real Estate Value}$$

Compounding – Returns are geometrically compounded on a quarterly basis. For example, the annual return for four quarters would be:

$$(1 + Q1)(1 + Q2)(1 + Q3)(1 + Q4) = (1 + \text{Annual Return})$$

Credit Accommodation – The term generally refers to a guaranty executed by CalPERS whereby CalPERS agrees to pay the debt obligation of an entity, in the event the entity fails to pay the debt obligation. The entity will usually be a limited partnership or limited liability company, and will be majority-owned by CalPERS. The debt obligation that CalPERS guarantees will be evidenced by an extension of credit (e.g., loan, line of credit, or other form of credit facility) by a financial institution to the entity. The benefit provided to CalPERS is that the guaranty will tend to lower the borrowing cost for the entity and should, in turn, enhance the overall return to the real estate investment. Guarantees become a contingent liability on the CalPERS' overall balance sheet and should be used only when they provide economic benefit. Credit accommodation differs from credit enhancement in that a credit accommodation is not rated and does not use CalPERS' Credit Enhancement Program (CEP) rating (either implied or explicitly). In addition, Credit Accommodation is made for an entity in which CalPERS has an existing, or proposed, ownership interest. Credit enhancement is the use of CalPERS' balance sheet, through the program rating, in which CalPERS has no initial ownership interest and where CalPERS receives explicit consideration for the enhancement.

GLOSSARY

Discount Rate – A yield rate used to convert future payments or receipts into present value.

Internal Rate of Return (IRR) – Dollar weighted rate of return that shows profitability as a percentage, showing the return on each dollar invested. IRR equates the present value of a partnership's estimated cash flows (CF) with the present value of the partnership's costs. Before fees (BF) IRR is calculated before all expensed fees such as Asset Management, Disposition, Incentive Fees, etc. After fees (AF) IRR is calculated after all expensed fees such as Asset Management, Disposition, Incentive Fees, etc. Please note, IRR for CalPERS reporting purposes is calculated for sold/realized projects only.

IRR is the quarterly discount rate that makes the following relationship hold:

$$\text{Present Value (inflows)} = \text{Present Value (investment costs)}$$

IRR is computed as follows:

$$CF_0 + CF_1 / (1+IRR) + CF_2 / (1+IRR)^2 + CF_3 / (1+IRR)^3 \dots CF_n / (1+IRR)^n = 0$$

Investment Fees – Generally include acquisition, asset management and disposition fees paid to third party firms. Acquisition and disposition fees are calculated on a per transaction basis and range from 0 to .85 percent and 0 to .60 percent, respectively, on a graduated scale. Asset management fees are based on asset value and range from .25 to .65 percent on a graduated scale.

J-Curve Effect – Refers to the shape of a plotted trendline depicting investment returns produced from the common practice of paying management fees and start-up costs out of the first draw on committed capital. As a result, a fund will initially show a negative return. When the first realizations are made, the fund returns start to rise steeply. After about three to five years, the interim return will give a reasonable indication of the definitive return.

Market Value – An opinion of value as of a certain date as stated by either the investment advisor or independent appraiser. Market value differs from amount funded or net investment in that the value includes unrealized potential gains or losses during the holding period.

Net Assets (Market Value) – Total assets minus liabilities based on market value.

Net Income Return – Expressed as a percentage, net income accrued divided by beginning net assets adjusted for time-weighted contributions and distributions. The net income return is computed as follows:

$$\left[\frac{\text{Net Investment Income}}{\text{Beginning Net Assets} + \text{Time-Weighted Contributions} - \text{Time-Weighted Distributions}} \right] \times 100$$

GLOSSARY

Net Investment Income – The amount of net income that has accrued for the period, net of advisor fees.

Nominal Returns – Nominal returns are unadjusted for inflation.

Property Type – Eleven property type categories are used throughout the report. A property is placed into a category based on its primary use, unless otherwise designated as a mixed-use property.

Realized Gain or Loss – The gain or loss CalPERS realized from the disposition of a real estate asset. The computation is as follows:

$$\text{Proceeds from Investments Sold} - \text{Cost of Investments Sold} - \text{Recognized Prior Period Appreciation on Investments} = \text{Realized Gain or Loss}$$

Real Estate Investment Trust (REIT) – Similar to a mutual fund, a REIT is a corporation or trust that combines the capital of many investors to acquire or provide financing for all forms of real estate.

Real Estate Investment Value – The sum of components of real estate investments at fair value. REIV is computed as follows:

$$(\text{Equity} + \text{Capital Expenditures}) + \text{Mortgages Receivable} + \text{Debt/Equity}$$

Real Returns – Nominal returns adjusted for inflation as follows:

$$\left[\frac{1 + \text{Nominal Return}}{1 + \text{Inflation}} \right] = 1 + \text{Real Return}$$

The Consumer Price Index – Urban (CPI-U) is used for the inflation factor.

GLOSSARY

Time-Weighted Contributions – The amount of capital CalPERS contributes to a property/investment during a quarter adjusted for the amount of days left in the quarter at the time of the transaction. The computation is as follows:

$$\left[\frac{(\text{Contrib.1} \times \text{Days to End of Quarter}) + (\text{Contrib.2} \times \text{Days to End of Quarter}) + (...)}{\text{Days in Quarter}} \right]$$

Time-Weighted Distributions – The amount of cash received by CalPERS from a property/investment during the quarter adjusted for the amount of days left in the quarter at the time of the transaction. The computation is as follows:

$$\left[\frac{(\text{Distrib.1} \times \text{Days to End of Quarter}) + (\text{Distrib.2} \times \text{Days to End of Quarter}) + (...)}{\text{Days in Quarter}} \right]$$

Total Net Return – The sum of the net income return and the appreciation return.

Unrealized Gain or Loss – The change in market value of a real estate asset over the period of analysis adjusted for several factors. The computation is as follows:

$$\left[\begin{aligned} &\text{Ending Real Estate Investment Value} - \text{Beginning Real Estate Investment Value} - \\ &\text{Capital Expenditures/New Acquisitions} - \text{Change in Joint Venture Costs} - \\ &\text{Mortgages Funded} + \text{Principal Payments Received} + \text{Cost of Assets Sold} \end{aligned} \right]$$